

Case study

Taxation advice and consulting

BDO conducted a Tax Risk Management Project aimed at identifying and analysing the corporation's tax risks.

Corporate tax risk management project

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Highlights

A new client was a largish sized publicly listed company with operations in two different industries. It had recently undergone a number of corporate reorganisations, as well as acquiring a number of smaller entities. It also has large GST and fringe benefits tax liabilities. Its latest financial controller had only been with the company for three years.

The Challenge

The directors were worried about their own liabilities for corporation's tax. The Commissioner's statements in his bulletins and speeches, notably in his latest Large Business and Tax Compliance booklet, states that boards should ensure that a corporation manages its tax risks. The directors review the tax advice in relation to the acquisitions and the reconstructions but were unclear as to how it applied.

How we helped

BDO conducted a Tax Risk Management Project aimed at identifying and analysing the corporation's tax risks. This project involved reviewing various documentation, including the previous advices provided, interviewing key personnel and conducting two Risk Assessment Workshops in order to identify, prioritise and analyse the major tax risks, and to assess and quantify all internal controls, and to draft plans to treat all of the tax risks.

The review of the transaction did discover that one of the pieces of advice given by a previous adviser had been incorrectly implemented

A Risk Assessment Report was issued to the client, outlining all the findings of above, as well as the Risk Treatment Plans. The most risky acquisitions were reviewed. Additionally, we assisted the client to draft protocols and procedures to be undertaken when making further acquisitions. A plan was put in place in order to conduct prudential reviews of the GST and fringe benefits tax compliance.

Client thoughts

The client was very happy with the service and engaged BDO to conduct the prudential reviews.

For the future

The review of the transaction did discover that one of the pieces of advice given by a previous adviser had been incorrectly implemented by the client. This had led to the corporation underpaying its capital gains tax. A voluntary disclosure was made and the penalties were remitted.

The client is committed to conducting internal reviews of all systems. In relation to transactions, there are protocols and procedures in place to ensure that no further mistake is made.

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